

ORIGINAL

DIAMOND VALLEY WATER
1848 N. Emerald Drive
Prescott, Arizona 86301
928-445-1502



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AZ CORP. COMMISSION
DOCKET CONTROL

November 17, 2007

To: Arizona Corporation Commission
Attn: Docket Control
1200 West Washington Street
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED

From: Diamond Valley Water District
1848 N. Emerald Drive
Prescott, AZ 86301

NOV 20 2007

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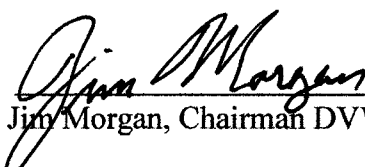
Re: Diamond Valley Water Users Corporation
DOCKET NO. W-03263A-07-0244

On November 16, 2007 the Honorable Judge Dwight D. Nodes presided over the Hearing regarding the transfer of Diamond Valley Users Corporation Assets to the Diamond Valley Water District.

In response to the requests made during that Hearing, the Diamond Valley Water District (DVWD) is pleased to provide the following support documentation:

- 1.) Attachment 1 represents a copy of the DVWD Board Resolution No. 0509-2007 regarding WIFA Technical Project Grant TA-DW-003-2007.
- 2.) Attachment 2 is a copy of WIFA'S Agreement For Technical Assistance, Project No. TA-DW-003-2007, and other documents related to the initial application for technical assistance by Diamond Valley Users Corp.
- 3.) Attachment 3 represents a copy of Mr. Craig Tinney's (WIFA PhD PE Engineer) email and Statement of Work, dated 7/26/2007.
- 4.) Attachment 3 provides the Letter of Commitment, dated October 8, 2007, from Arizona Small Utilities Association to provide Technical/Operational assistance to the DVWD.

Respectfully Submitted,


Jim Morgan, Chairman DVWD

11/17/07
DATE

ACC 11-17-07 letter – page 2

Distribution:

ACC Docket Control – 1 original and 13 copies

ACC

Attn: Ms. Lyn Farmer
Chief, Hearing Division
1200 West Washington Street
Phoenix, Arizona 85007

ACC

Attn: Mr. Christopher C. Kempley
Chief, Legal Division
1200 West Washington Street
Phoenix, Arizona 85007

ACC

Attn: Mr. Ernest G. Johnson
Director, Utilities Division
1200 West Washington Street
Phoenix, Arizona 85007

Diamond Water Users Corporation
c/o Don Bohler
P.O. Box 13070
Prescott, Arizona 86304-3070

Kevin Greif
1140 N. Opal Drive
Prescott, Arizona 86303

Diamond Valley Water District
Attn: James Morgan

ATTACHMENT 1

**Diamond Valley Water District Board Resolution No. 0509-2007
Regarding WIFA Technical Project Grant TA-DW-003-2007**

RESOLUTION NO. 0509-2007

A RESOLUTION OF THE DIAMOND VALLEY WATER DISTRICT (DVWD), SUPPORTING AN APPLICATION TO THE WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA FOR A PROJECT TECHNICAL ASSISTANCE GRANT FUNDING OF \$35,000 FOR ENGINEERING STUDIES OF INFRASTRUCTURE PROBLEMS AND SYSTEM IMPROVEMENTS.

WHEREAS, the DIAMOND VALLEY WATER DISTRICT has the responsibility to provide water resources to address the Federal mandate for providing water distribution systems to all current public users and all future users within the Diamond Valley Water District; and

WHEREAS, the Arizona Legislature established the Water Infrastructure Finance Authority of Arizona (WIFA) pursuant to A.R.S. §§ 49-1202 and 49-1203 and authorized WIFA, to provide assistance to political subdivision or Indian tribes and eligible drinking water facilities for wastewater and drinking water projects; and

WHEREAS, under A.A.C. Title 18, Chapter 15, Article 5, WIFA has established rules and procedures for the WIFA Technical Assistance Program; and

WHEREAS, applicants of Project Technical Assistance must file applications in accordance with the rules and procedures promulgated by WIFA; and

WHEREAS, WIFA requires that applicants for Project Technical Assistance include a resolution from the governing body of the applicant acknowledging and authorizing the request for assistance; and

WHEREAS, the Diamond Valley Water District has the need to apply for WIFA Project Technical Assistance for an engineering study to evaluate the Diamond Valley Water District water distribution system to comply with the findings of Arizona Department of Environmental Quality Evaluation Report covering System PWSID Number 13-017 dated 12-14-05.

NOW, THEREFORE, BE IT RESOLVED THAT THE Diamond Valley Water District in Yavapai County, Arizona, hereby acknowledges and authorizes the filing of an application for a WIFA Project Technical Assistance Grant for \$35,000 under Project No. TA-DW-003-2007.

PASSED AND ADOPTED BY THE DIAMOND VALLEY WATER DISTRICT OF DIAMOND VALLEY, ARIZONA this 14th day of May, 2007.

ATTEST:



Susan Echenrode, Secretary DVWD



James Morgan, Chairman DVWD



Dean Briggs, Treasurer DVWD



Dan Chapman, Vice Chairman DVWD



Bud Huber, Board Member DVWD

BOARD MEMBERS APPROVED

ATTACHMENT 2

**WIFA's Agreement for Technical Assistance under Project No. TA-DW-003-2007
and other documents related to the initial application for Technical Assistance by
Diamond Valley Water Users Corporation**

AGREEMENT FOR TECHNICAL ASSISTANCE

BETWEEN DIAMOND VALLEY WATER USERS CORPORATION

AND

**THE WATER INFRASTRUCTURE FINANCE
AUTHORITY OF ARIZONA**

THIS AGREEMENT is made and entered into on this 13 day of July, 2006, by and between Diamond Valley Water Users Corporation herein after referred to as ("Applicant"), and the Water Infrastructure Finance Authority of Arizona ("WIFA.").

RECITALS

- A. Applicant has previously made a written application for technical assistance from WIFA.
- B. WIFA is a body corporate and politic, created by A.R.S. § 49-1201 et seq. WIFA has the authority, among other things, to provide technical assistance to political subdivisions, special districts and Indian tribes through staff and other professional assistance, as well as the power to hire professional assistance as need to carry out the provisions of the applicable statute. A.R.S. §§ 49-1223 and 49-1243.
- C. The Applicant is eligible to receive technical assistance from WIFA pursuant to A.R.S. §§ 49-1223 and 49-1243.
- D. WIFA has approved Applicant's request for technical assistance to the extent set forth in this agreement.

AGREEMENTS

1. Technical Assistance

WIFA and the Applicant agree that the technical assistance to be provided is fully described in the attached Scope of Work, which is attached as Exhibit A and fully incorporated herein by reference. Unless otherwise expressly set forth in the attached Scope of Work, the assignment of staff or other professional assistance to perform the Scope of Work shall be within the discretion of WIFA, as will the timing of such work. WIFA will cooperate with the Applicant to identify the members of the staff or other professional assistance that will be provided to perform the tasks identified on the Scope of Work, but WIFA reserves the right to change such staff or other professional assistance assignment to this particular project.

WIFA shall have the ability, in its sole discretion, to modify or amend the work schedule or to refuse to do so.

7. Responsibility of Outside Consultant

If WIFA assigns any person other than WIFA staff to provide technical assistance, the person or entity providing such professional assistance shall be fully responsible and liable for the completeness and accuracy of all work, plans and supporting data prepared or compiled under the Scope of Work for this project. The provision of technical assistance by WIFA does not create any liability for WIFA or the State of Arizona regarding the design, construction or operation of any infrastructure project.

8. Non-Availability of Funds

Every payment obligation of WIFA and/or the State of Arizona under this Agreement is conditioned upon the availability of funds appropriated or allocated for the payment of such obligation. If funds are not allocated and available for the continuance of this Agreement, this Agreement may be terminated by WIFA and/or the State of Arizona at the end of the period for which funds are available. No liability shall accrue to WIFA or the State in the event this provision is exercised, and neither WIFA nor the State of Arizona shall be obligated or liable for any future payments or for any damages as a result of termination under this paragraph.

9. Cancellation for Conflict of Interest

Pursuant to A.R.S. § 38-511, the State, its political subdivisions or any department or agency of either may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the State, its political subdivisions, or any of the departments or agencies of either if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any of the departments or agencies of either is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. A cancellation made pursuant to this provision shall be effective when the Applicant receives written notice of the cancellation unless the notice specifies a later time.

10. Non-Discrimination

The Applicant shall comply with Executive Order 75-5, which mandates that all persons, regardless of race, color, religion, sex, age, national origin or political affiliation, shall have equal access to employment opportunities, and all other applicable State and Federal employment laws, rules, and regulations, including the Americans with Disabilities Act. The Applicant shall take affirmative action to ensure that applicants for employment and employees are not discriminated against due to race, creed, color, religion, sex, national origin or disability.

11. Third Party Antitrust Violations

The Applicant assigns to the State any claim for overcharges resulting from antitrust violations to the extent that such violations concern materials or services supplied by third parties to the Applicant toward fulfillment of this Agreement.

Drinking Water Application

Water Infrastructure Finance Authority of Arizona (WIFA)
Project Technical Assistance Priority List Application
(Use Separate Application for Each Project)

Application # TA DW - 003-2007 (WIFA use only)

SECTION 1: APPLICANT INFORMATION

1.0 Applicant: Diamond Valley Water Users Corporation

1.1 Contact: Don Bohlier

1.2 Address: P.O. Box 13070 Prescott AZ 86304

1.3 Phone #: 928 - 772 - 8446

1.4 FAX #: 928 - 775 - 8541

1.5 E-mail Address: dbohlier@cs.com

1.6 County in Which Project is Located: Yavapai

1.7 Number of Connections to System: 613

1.8 Population Served by the System: 2100

1.9 Average Monthly Fee (Base + Usage): \$50.00

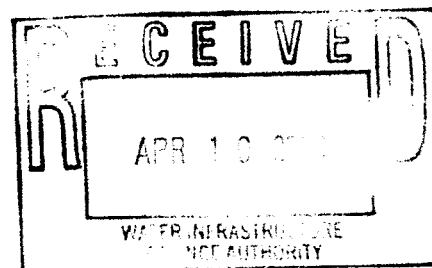
1.10 Existing Debt on the System: \$85,000

1.11 Estimated or Actual Median Household Income: \$40,000

2000 U.S. Census: \$35,446

1.12 ADEQ System Identification # (PWS #): 13017

1.13 Prior Year WIFA Funding Number (grant or loan): N/A



SECTION 2: PROPOSED DRINKING WATER TECHNICAL ASSISTANCE PROJECT

2.0 Project Title/ Name: Drinking Water Project

2.1 Is the proposed project for Pre-Design activities, i.e. system evaluation, feasibility study, district formation, etc., or Design activities, i.e. engineering plans and specifications, value engineering, etc. (check one):
☒ Pre-Design ☐ Design

2.2 Attach and / or briefly summarize below the reason for and the description of the proposed project. (Include supporting documentation.) The pumping system is hanging on by a thread. If the engineering study is done then the right sizing of pumps can be purchased. This would be able to save the company in electric cost. The water tanks need to be replaced to. The water mains are in good condition and holding up pretty good.

2.3 Secure a New Water Source (Check appropriate box):

☐ Groundwater

☐ Surface Water

☐ Groundwater under Direct Surface Influence

2.4 Water System Improvement: To secure the water system

- ☒ Address deficiencies Identified by ADEQ
☐ Submitted a Complete Capacity Development Plan to ADEQ
☐ Project includes Installing Meters to Monitor Water Use

2.5 Consolidation and Regionalization:

- ☒ Consolidate Physical Facilities of Existing Multiple Facilities ✓
☐ Extending Service to Existing Areas Currently Served by Another Facility
☐ Consolidate the Operations of Existing Multiple Facilities
☐ Consolidate the Ownership of Existing Multiple Facilities

2.6 System Compliance (Please attach supporting documents):

- ☐ Notice of Violations and/or Consent Orders from regulatory agency
☐ ADEQ
☒ Other: ACC

2.7 Consultant/Contractor (Private water companies must allow WIFA to select the contractor. Public entities may choose a contractor through their own procurement process.)

- ☒ Consultant/Contractor selected by WIFA (At the applicant's request, WIFA will select a consultant/contractor to assist the application with the proposed project.)
☐ Consultant/Contractor selected by the applicant (Please List) _____

SECTION 3: AMOUNT OF PROJECT TECHNICAL ASSISTANCE

3.1 Estimated Technical Assistance Costs & Funding Sources

Amount Requested from WIFA (\$35,000 max)	Amount Funded Locally by System	Amount Funded from Other Sources	Estimated Technical Assistance Costs
\$10,000	+ \$10,000	+ \$0	= \$20,000
4/12/06 JB \$35,000	\$	\$25,000	\$70,000

3.2 Technical Assistance Grants must include local match funds. Indicate the applicant's contribution.
\$10,000

3.3 Estimated Date WIFA Funding Required: July 1, 2006

SECTION 4: CERTIFICATION & APPROVAL

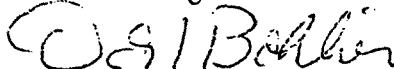
4.1 WIFA requires the governing body of the applicant requesting Project Technical Assistance to adopt a resolution acknowledging and authorizing the request for assistance. Attach a copy of the resolution or indicate the scheduled date for adopting the resolution.

Date Adopted or Estimated Date: July 1, 2006

4.2 As the Authorized Representative, I certify that the information contained in this application is, to the best of my knowledge, true, accurate, and correct.

Authorized Representative Name: Don Bohler
 Authorized Representative Title: Interim Manager

Authorized Signature:



Date: 4-10-06

17. Costs and Attorneys Fees

In case of any litigation in connection with any controversy arising out of this Agreement, The prevailing party shall be entitled to recover in addition to its taxable costs such sum as the Court may adjudge reasonable as attorneys fees.

18. Interpretation

The parties expressly request any reviewing court to interpret this Agreement according to the manifest intention of the parties hereto, which is to provide for technical assistance from WIFA to the Applicant in furtherance of WIFA's statutory rights and duties. If any portion of this Agreement shall be deemed unconstitutional or unlawful for any reason, the parties intend that the remaining provisions of this Agreement should remain in full force and effect unless the omission of the unlawful provision renders this Agreement unenforceable or frustrates its manifest intention.

19. Entire Agreement

This Agreement represents the entire agreement between WIFA and the Applicant as to the general subject matter set forth herein. Any prior or oral or written understandings shall be of no force or effect after the date of this Agreement. The parties intend by this Agreement to displace and nullify any such prior understandings or agreements. This Agreement may be modified and amended, but only in writing signed by both parties.

20. Effective Date

The parties agree that it is their intention that this Agreement be effective on and from the day and year first written above, even if that date may vary from the date of actual signature.

Water Infrastructure Finance Authority

By: Jay R. Spector

Its: Executive Director

Diamond Valley Water Users Corp.

By: Don Bohlin

Its: Interim Manager

COMMISSIONERS
JEFF HATCH-MILLER - Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

BRIAN C. McNEIL
Executive Director

Direct Phone No.: 602-542-3933
Fax No.: 602-542-5560
e-mail: mspitzer@azcc.gov

ARIZONA CORPORATION COMMISSION

March 22, 2006

Diamond Valley Water Users Corporation
c/o Don Bohlier, Interim Manager
Post Office Box 13070
Prescott, AZ 86304

**Re: Application to the Water Infrastructure Finance Authority of Arizona ("WIFA") for
Technical Assistance Grant**

W-03263A-05-0330


Dear Mr. Bohlier:

As you are aware, there is a long history associated with Diamond Valley Water Users Association water system ("Diamond Valley"), most of it negative and part of it actually sordid. Diamond Valley has struggled under the weight of ownership, management and financial issues, and none of these deficiencies are the fault of its customers.

Whether Diamond Valley continues as a distinct private utility, is merged into another entity, acquired by a municipality, or reconstituted as a domestic water improvement district, serious needs must be addressed. First and foremost is a thorough evaluation of the existing physical plant and formulation of a plan for remediation.

It is my understanding that Commission Staff has been in contact with you regarding applying to WIFA for a grant to conduct an assessment of Diamond Valley. This letter is to reiterate Staff's suggestion. I believe Diamond Valley's needs with regard to water infrastructure are precisely in line with this type of grant opportunity. It is arguably one of a handful of systems with systemic, structural deficiencies that its ratepayers, despite their best efforts, have been unable to address. Thank you for your work as the interim manager.

Very truly yours,



Marc Spitzer
Commissioner

cc: Ernest Johnson
Del Smith
Vicki Wallace
Jay Spector, Executive Director, WIFA ✓

YAVAPAI COUNTY BOARD OF SUPERVISORS

THOMAS THURMAN – Chairman
District 2
omas.thurman@co.yavapai.az.us



A.G. "CHIP" DAVIS – Vice Chairman
District 3
chip.davis@co.yavapai.az.us

CAROL SPRINGER – Member
District 1
carol.springer@co.yavapai.az.us

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JAMES M. HOLST
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DAVID S. HUNT
Board Counsel
dave.hunt@co.yavapai.az.us

BEV STADDON
Clerk of the Board
Special Districts Coordinator
bev.staddon@co.yavapai.az.us

March 1, 2006

Stephen A. Owens, Chairman
 Board of Directors
 Water Infrastructure Finance Authority of Arizona
 1110 West Washington, Suite 290
 Phoenix, AZ 85007

Dear Chairman Owens:

I am writing this letter in support of an application for a technical assistance grant from WIFA that is being submitted by the Diamond Valley Community Association for funding for an engineering study of the water system in Diamond Valley.

The Diamond Valley Community Association has been working with me and with Yavapai County staff toward the establishment of a domestic water improvement district that would enable the citizens of Diamond Valley to acquire, operate and improve the existing antiquated water delivery system in that area. An engineering study of the water system is critical to this process, and a grant is necessary in order to secure that study.

I urge the WIFA Board of Directors to approve the technical assistance grant application for the Diamond Valley Community Association, and thank the Board for its consideration of the Association's request.

Sincerely,

Carol Springer
 District 1 Supervisor

To reach County Offices toll-free from the following areas, call:

Ash Fork637-2390
 Bagdad633-2169

Seligman422-3426
 Yarnell427-3895

Verde Valley.....639-8100
 Black Canyon495-8800

ATTACHMENT 3

Mr. Craig Tinney's email and Statement of Work dated July 26, 2007

Subj: **DVWD TA Scope of Work**
Date: 7/26/2007 3:04:07 PM US Mountain Standard Time
From: Tinney.Craig@azdeq.gov
To: kingbird@cableone.net, Brig97@aol.com
CC: ltsosie@azwifa.gov
File: **DVWDSOW.doc** (36352 bytes) DL Time (TCP/IP): < 1 minute
Sent from the Internet (Details)

Gentlemen

Attached please find a proposed or draft Scope of Work. I am submitting the draft for your review. I knocked it out quickly and it may contain typos or vague references.

You all are the project sponsor; be critical. I think the scope is very ambitious given the TA grant amount. But, let's get it out there to see what the response is. WIFA can provide assistance in consultant selection.

Respectfully

J. Craig Tinney, PhD, PE
WIFA Engineer
(520) 770-3127 office

NOTICE: This e-mail (and any attachments) may contain PRIVILEGED OR CONFIDENTIAL information and is intended only for the use of the specific individual(s) to whom it is addressed. It may contain information that is privileged and confidential under state and federal law. This information may be used or disclosed only in accordance with law, and you may be subject to penalties under law for improper use or further disclosure of the information in this e-mail and its attachments. If you have received this e-mail in error, please immediately notify the person named above by reply e-mail, and then delete the original e-mail. Thank you.

DIAMOND VALLEY WATER DISTRICT

Proposed Scope of Work

Objective

The Diamond Valley Water District (DVWD) is suffering unaccounted water losses and a number of other system issues requiring correction. An accurate system map is not available. The district received a WIFA Technical Assistance Grant (No. TA-DW-003-2007) to provide an engineering investigation and solutions.

Conditions and Limitations

The DVWD was established December 20, 2006. The Arizona Corporation Commission is in the process of transferring all assets of the preexisting Diamond Valley Water Utility Company to the DVWD. The DVWD is identified as Public Water System ID No. 13-017. There are about 684 service connections on the water system.

The district purchases its water from the City of Prescott Valley. District responsibilities are for the distribution of water only. Presently, the ACC appointed interim manager/operator is Mr. Don Bohlier; he has been on-board since October 2005.

A December 14, 2005 Arizona System Evaluation Report for Regulated Public Water Systems noted many system deficiencies. The major points of the report have been summarized into five topics: Water System Information; Technical Capacity; Managerial Capacity; Financial Capacity; and Water System Security. Recommendations for addressing the deficiencies have been prioritized into high, moderate and lower. All documents are available.

The WIFA TA Grant is for investigation only; no capital expenditures are allowed within the grant.

Tasks

The tasks are sub-grouped by topic:

1. Distribution system mapping
 - Create a scaled map of pumps, distribution lines and valves locations
 - Map details should include pipe lengths, pipe inside diameters and
2. Water loss investigations
 - Evaluate the amount of purchased water versus the amount billed to DVWD Customers
 - Locate significant leaks and other problematic issues within the DVWD distribution system
 - Assess other potential causes of lost and unaccounted water
3. System capacity planning
 - Determine present water distribution system capacity and capabilities to serve the current residents of DVWD
 - Evaluate the need for water system upgrades to accommodate future residential growth

4. Management assessment

- Assist the DVWD in the preparation of a draft management contract
- Identify capital needs to satisfy the high and moderate issues identified in the Arizona System Evaluation for Regulated Public Water Systems – specific issues are electrical appurtenances, pump building ventilation, required reporting and system security

Deliverables

- Task 1 A system map with details and a technical memorandum on the methods employed. The deliverable should include 6 map copies and an electronic file using appropriate, readily available software [AUTOCAD or ARC-GIS]
- Task 2 A technical memorandum describing the investigation methods and the investigation results. And, a map layer consistent with Task 1.
- Task 3 A technical memorandum describing capacity for present demand and future demand
- Task 4 A technical memorandum providing management to correct immediate deficiencies and guidance for the preparation of a long-term management contract

Project Budget

The project budget will specify the estimated expenditures by each task. It is requested that all labor, direct and indirect costs be estimated. All overhead, administrative, executive, or profit will be accounted after the subtotal. The contractor receiving the TA assistance should report to the WIFA staff departures from the initially listed tasks and indicate how they would affect the budget.

ATTACHMENT 4

**Arizona Small Utilities Association
Commitment Letter – Dated October 8, 2007**



**ARIZONA SMALL
UTILITIES ASSOCIATION**
1955 W. Grant Rd., Ste. 190
Tucson, AZ 85745
520-620-0230



October 8, 2007

President
Curtis Winder
Town of Snowflake

RE: Diamond Valley Water Improvement District

To Whom it may concern:

Vice President
Ron Solomon
Town of Taylor

Frank Soto, Circuit Rider and certified operator of the Arizona Small Utilities Association has volunteered to assist the Diamond Valley Water Improvement District as part of his job as a Circuit Rider for ASUA.

Secretary
Don Miller
Tohono O'odham
Utility Authority

Frank will be on the payroll of ASUA as a circuit rider and will not accept any compensation for any work conducted to assist Diamond Valley Water Improvement District.

Treasurer
Pat Fitzgerald
Ponderosa Park
DWID

Frank will be assisting other systems as well so Frank will not be an on-site staff person running the water system for Diamond Valley Water Improvement District. He will make himself available to assist and train those who will be operating the water system.

National Director
David Saddler
Tohono O'odham
Utility Authority

This arrangement will be on a week to week basis and if other Association priorities arise, Franks responsibility will be to address those association priorities.

When the water system finds and hires a certified operator to run their water system, Frank will back out of this arrangement and let the primary operator run the water system and will provide assistance as needed as part of his Circuit Riding job tasks.

Director
Ron Solomon
Town of Taylor

Sincerely,

Dale H. Ohnmeiss
Executive Director

Director
John Clayton
Valley Pioneer
Water Company

Cc: Frank Soto, ASUA Circuit Rider

Members of:



Website: www.asua.org

Training Questions? Training@asua.org

Membership Questions? General.PostOffice@asua.org